

Please find the attached letter dated October 18, 2006 from the Equipment Leasing Association of America in response to the Senate Finance Committee's request for public comments on the Tax Technical Corrections Act of 2006 (S. 4026). Please acknowledge receipt.

David Fenig
Vice President
Federal Government Relations
Equipment Leasing Association
4301 N. Fairfax Drive, Suite 550
Arlington, VA 22203



Equipment Leasing Association
4301 North Fairfax Drive, Suite 550
Arlington, VA 22203-1627

PH 703.527.8655
FX 703.527.2649
www.elaonline.com

Leasing Equips America

October 18, 2006

The Honorable Charles E. Grassley
Chairman
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Max Baucus
Senate Finance Committee
511 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Grassley and Senator Baucus,

I am writing on behalf of the Equipment Leasing Association of America (ELA), the trade association for the equipment leasing and finance industry, in reference to the Senate Finance Committee's request for public comments on the Tax Technical Corrections Act of 2006 (S. 4026).

ELA understands that this bill may be considered in the session of the Congress that is slated to begin on November 13 and that the Senate Finance Committee could broaden the scope of the bill to include measures outside of technical corrections. In the event that more expansive legislation is considered prior to the conclusion of the 109th Congress, ELA respectfully recommends the inclusion of a tax simplification proposal that would eliminate the mid-quarter depreciation convention.

Under current law, the mid-quarter depreciation convention discourages taxpayers from placing substantial property in service during the last three months of a taxable year because the application of the convention could reduce the first year's depreciation deduction. In many cases, taxpayers cannot accurately forecast their tax depreciation for a tax year until after the tax year has ended when they are able to accurately analyze year-end asset purchases. If the mid-quarter convention applies, then taxpayers must keep four separate asset pools for the year in order to calculate tax depreciation accurately, which is in and of itself, a complex and unnecessary exercise.

After 9/11, the Internal Revenue Service recognized that the mid-quarter convention distorts decisions about the timing of equipment acquisitions and provided relief. (See, IRS Notice 2001-70). Moreover, in its April 2001 simplification report (JCS 3-01) the

Joint Committee on Taxation (JCT) recommended the permanent elimination of the mid-quarter convention. The JCT report stated that the mid-quarter depreciation convention was unduly burdensome and complex.

Legislation to repeal the mid-quarter convention has been introduced in this Congress by Senate Finance Committee members, Gordon Smith and John Kerry as part of S. 2100, the Tax Simplification and Modernization Act.

The mid-quarter depreciation convention increases the cost of capital, limits the availability of capital, and is unnecessarily burdensome and complex. As a consequence, ELA supports its permanent repeal in any appropriate tax vehicle that may arise in the remaining weeks of this Congress.

Thank you for considering this important proposal. Please feel free to contact me or ELA's Vice President of Federal Government Relations, David Fenig, if you have any questions or would like to discuss this proposal further. We can be reached at (703) 527-8655.

Sincerely,

A handwritten signature in black ink, appearing to be 'K. Bentsen', with a stylized, flowing script.

Kenneth E. Bentsen, Jr.
President
Equipment Leasing Association of America

cc: Senator Gordon Smith
Senator John Kerry